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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 000004

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SUBJECT: NEPAL: COMMERCE MINISTER STRESSES NEED TO HAVE
NEPALI CONGRESS ON BOARD

REF: 08 KATHMANDU 1162

Classified By: Ambassador Nancy J. Powell. Reasons 1.4 (b/d)

Summary

1. (C) On December 29, Minister of Commerce Rajendra Mahato of the small, Terai-based Sadbhavana Party told the Ambassador that it was essential for the Maoists to join hands with the Nepali Congress for the sake of Nepal's future. Mahato indicated that it was primarily up to Prime Minister Dahal to get the peace process moving forward again. Mahato was not very optimistic that the Government of Nepal talks with the Madhesi militant groups would be successful. The Commerce Secretary asked for U.S. assistance in reviving Nepal's trade with the U.S. and added that the Minister would be traveling to the U.S. at the end of January and was requesting appropriate meetings with U.S. officials.

Need to Have Nepali Congress on Board

2. (C) During a courtesy call with Minister of Commerce and Supplies Rajendra Mahato on December 29, Mahato emphasized to the Ambassador that it was essential for the Maoists to find a way to work with the Nepali Congress (NC). The peace process, the drafting of a new constitution and the future of the country depended on it. Mahato, who is the President of the small, Terai-based Sadbhavana Party, urged the international community and the United States in particular to exert pressure on both sides to work together. He stated that both Prime Minister Dahal and former Prime Minister Koirala had to put their past differences behind them. Koirala had to overcome his bitterness that the Maoists had not supported him becoming Nepal's first President. As the head of the Government of Nepal (GON) and the Maoists PM Dahal bore the main responsibility to begin fulfilling the various peace process commitments on return of land, demilitarization of the Young Communist League, etc., which NC politicians kept raising.

Success of GON Talks with Madhesi Militants Unlikely

13. (C) Mahato stated he was not very optimistic the GON's talks with the Madhesi militant groups (reftel) would succeed. He pointed out that the talks team had failed to entice the main militant leaders -- such as Jaya Krishna Goit and Nagendra Paswan (aka Jwala Singh) -- to the table. Meanwhile, the armed groups were asking why they should participate in negotiations when the GON had not yet fulfilled its February 2008 Agreement with the three main Madhesi political parties. (Note: On February 28, 2008, then PM Koirala signed an 8-point agreement with the then United Democratic Madhesi Front, consisting of the Madhesi People's Rights Forum, the Terai Madhes Democratic Party and the Sadbhavana Party, by which the Front agreed to end its agitation in return for compensation of "martyrs," inclusion of more minorities in the bureaucracy and the Nepal Army and other promises. End note.) Mahato urged the U.S. and the international community, which had pushed the Madhesi parties to sign the agreement, to encourage the GON to fulfill its promises. The Commerce Minister also asked the U.S. to boost its development assistance to the Terai.

Trade with the U.S.

14. (C) At the request of the Commerce Minister, Commerce Secretary Purushottam Ojha asked for U.S. aid in overcoming what Ojha characterized as Nepal's "marginalization" because of its commitment to free trade. Ojha expressed concern that Nepal-U.S. trade continued to decline and reiterated the

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GON's request that the U.S. grant Nepal duty-free status for ready-made garments. The Commerce Secretary also cited the fall in carpet and pashmina exports to the U.S. Ojha listed several agricultural products, including honey, cardamom, coffee, tea, and cut flowers, that would benefit from U.S. technical assistance. He also inquired about the status of the draft U.S.-Nepal Trade and Investment Framework Agreement. The Ambassador strongly discouraged a trade strategy based on the export of garments: Nepal simply was not competitive. She noted, however, that USAID was in the process of preparing a new economic development strategy that was looking at, among other things, helping Nepal add value to its agricultural exports. The Ambassador explained that the new Administration would have to decide about the TIFA, but she added that the political environment in Nepal mattered. Continued abuses by the Maoists would make such an agreement much less likely.

Visit By Commerce Minister

15. (C) Ojha reported that he would be accompanying the Minister to the U.S. at the end of January. Following a two-day visit to New York to participate in a major gift trade fair, Minister Mahato is slated to arrive in Washington on January 27. The Commerce Secretary said that the Minister is hoping to have senior-level meetings at State, Commerce and the U.S. Trade Representative's Office on January 28-29 before departing the U.S. on January 30. The Ambassador remarked that the timing of the Minister's visit is not the best because the new Administration will only have been in office for a week and many senior positions will still be vacant. She promised, however, to assist to the extent possible. (Note: Mahato was in Washington in 2007 in the same capacity. End note.)

Comment

16. (C) Mahato is not the only senior politician to stress the importance of a Maoist-Nepali Congress rapprochement. Minister of Physical Planning Bijay Gachhadar of the Madhesi People's Rights Forum made the same point to the Ambassador when they met December 23. Gachhadar's desire to see the NC

in the cabinet seems unlikely to be fulfilled any time soon, but we agree that cooperation between Nepal's two largest parties is indispensable. Prime Minister Dahal's apparent willingness to give in to the NC demand for two seats on the Army Integration Special Committee for each of the major parties (septel) and his reported January 1 agreement to return seized land within three months (with the NC to end its boycott of the Parliament) would indicate that Dahal and Koirala have gotten the same message. Post shares Mahato's pessimism about the ultimate prospects for Madhesi peace talks. The situation in the Terai looks to get worse before it gets better. The Embassy will provide additional details on the upcoming visit to the U.S. by the Commerce Minister closer to his departure.

POWELL